FISCAL NOTE

	FY 2018	FY 2019	FY 2020
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure increase			
GENERAL FUND	$30,300,000	$13,600,000	$11,800,000
OTHER FUNDS	$10,600,000	$4,800,000	$4,200,000

Sources of expenditure increase:

The following estimated expenditure increases have been identified for employees electing to take the early retirement option:

1) Monthly payments equal to 20% of employee salary until age 62 for employees from age 52 through age 60 (Estimated at $11.7 million in FY18, $10.0 million in FY19 and $8.2 million in FY20, total estimate of $48.9 million over 9 years);
2) Bonus equal to 3 months of employee's current salary for employees age 61 or older (estimated at $6.2 million in FY18);
3) Monthly payments for health insurance until age 65 (estimated at $8.8 million in FY18, $8.4 million in FY19 and $7.7 million in FY20, total estimate of $53.2 million over 12 years);
4) Vacation leave payout estimated at $6.3 million in FY18;
5) Sick leave payout estimated at $7.9 million in FY18;

It is uncertain whether federal funds could be used to pay these increased expenditures. It is assumed that General Fund (GF) dollars would be used for federal expenditure increases. Therefore, expenditure increases are allocated 74% GF and 26% Other Funds.

Assumptions:

The Wyoming Retirement System (WRS) identified 1,735 eligible employees from its member database. The University of Wyoming (UW) identified an additional 228 eligible employees (not included in the WRS count) participating in their defined contribution plan, Teachers Insurance and Annuity Association (TIAA). With the exception of the individuals in TIAA, service is WRS eligible service only and includes service with any employer participating in WRS, as well as service purchases. WRS eligible service refunded to members is not included. Service with the identified employer group, but for which retirement contributions were not made is not included.

Based on the early retirement option passed in the 1995 legislative session, the WRS assumes 33% of eligible UW employees and 56% of all other eligible employees would take the retirement incentive. WRS assumed all employees taking this incentive would retire on June 30, 2017.

The expenditure increase for health insurance is also based on 56% of eligible employees taking the retirement incentive, and assumes 70% of those accepting early retirement would choose single coverage and 30% would choose family coverage, based on historical trends for this age group. A 4% increase per year in health insurance cost is assumed for single coverage until this cost reaches its limit of $841 per month. The expenditure increase for family coverage is limited to $1,323 per month.

Based on information provided by their actuary, WRS believes a contribution increase to the WRS Public Employee Pension Plan would be needed to maintain the plan's current projected funding trajectory. In summary, this bill would incentivize earlier retirements than previously expected, which has implications for the contribution rates needed for the WRS Public Employee Pension. The immediate impact is an increase in the unfunded liability of $16.8 million and an associated amortization payment rate increase, which in turn raises the annual required contribution rate by 0.17%. The long-term impact over 30 years, assuming no contribution increase is made, is a lower funded ratio than if this early retirement incentive were not undertaken. The actuarial analysis was not extended to the smaller pension plans, but they could also be impacted.

	FY 2018	**FY 2019**	**FY 2020**
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure (decrease)			
GENERAL FUND	($33,300,000)	($32,600,000)	($32,000,000)
FEDERAL FUNDS	($7,800,000)	($7,600,000)	($7,500,000)
OTHER	($14,400,000)	($14,200,000)	($13,800,000)

<u>Source of expenditure (decrease):</u>
The following estimated expenditure decreases have been identified relating to the early retirement option.

1) Cost savings in salary and benefits from the unfilled positions required in the bill (10% for agencies with less than 35 positions and 50% for all other agencies; estimated at approximately $47.2 million in FY18);
2) Replacement of current employees with new employees paid 20% less. 20% savings plus related benefits is estimated at roughly $8.2 million in FY18.

<u>Assumptions:</u>
WRS assumes 10% of vacated positions in small agencies (fewer than 35 positions) and 50% of vacated positions in all other agencies are never rehired, with a 53.80% average benefit load for the savings. WRS assumes new hires for the filled positions are filled at wages 20% less, with an assumed 24.71% benefit savings (no savings in medical, but savings in wage-related benefits like Social Security, Medicare, workers compensation, unemployment & retirement).

WRS estimates total savings for one year of roughly $55.5 million. Savings is allocated 60% GF, 14% federal funds and 26% Other Funds. This $55.5 million savings/year is decreased by 2%/year, assuming 2% wage growth for new employees.

NOTICE-AGENCY ESTIMATE OF ADMINISTRATIVE IMPACT REQUESTED

This bill has <u>administrative impact</u> that appears to increase duties or responsibilities of one or more state agencies and may impact agency spending or staffing requirements. As introduced, the bill does not modify any state agency budget or current personnel authorizations.
<u>The following state agencies will be asked to provide their estimate of the administrative fiscal impact prior to the first committee meeting held to consider the bill:</u>
Retirement System

Prepared by: Dean Temte, LSO Phone: 777-7881
(Information provided by Ruth Ryerson, Retirement System, 777-5994; Ralph Hayes, Dept. of Administration & Information, 777-5440)